

Rural Health Insurance Subsidy Questions & Answers

The ASRS Rural Health Insurance Subsidy adopted in 2001 expires June 30, 2003, and will impact many retirees living in rural Arizona. The effects of this action are contained in House Bill 2349, passed by the state Legislature and signed by Governor Napolitano in late May. This new legislation will take effect 90 days after the close of this legislative session. The Legislature adjourned its session on Thursday, June 19, 2003.

Once HB 2349 becomes effective, it will have the following main features:

- The Rural Subsidy will continue through June 30, 2005.
- The Rural Subsidy will be retroactive to July 1, 2003.
- The Rural Subsidy will continue to apply to all Arizona counties except Maricopa and Pima and the City of Apache Junction in Pinal County.
- The Rural Subsidy may only be applied to medical insurance premiums and the “family subsidy” applies only if the retiree is enrolled in family medical coverage. Family dental coverage is no longer sufficient to obtain the family subsidy.
- In order to receive the Rural Subsidy, the retiree must pay a minimum “out-of-pocket” cost (see chart below).

It is also important to note that:

- The Basic Health Insurance Premium Benefit Supplement, which applies to all retirees who take health insurance coverage through the ASRS or a participating employer, is not affected.
- July 1, 2003, as well as the effective date of HB 2349, will be considered “qualifying events” during which you may change your health insurance coverage.
- There is no provision in HB 2349 for the ASRS or any of the other state retirement systems or plans to provide any cash advances or loans toward the cost of health insurance premiums.

What will happen on July 1, 2003?

If you are an ASRS retiree who lives in rural Arizona, your July pension check will not reflect the addition of the Rural Subsidy to help offset your health insurance premium. As mentioned above, HB 2349 will not become effective until 90 days after the close of this legislative session. The Attorney General’s Office has indicated that the ASRS does not have the legal authority to extend the current Rural Subsidy after June 30, 2003, or advance the benefits of HB 2349 prior to its enactment. Consequently, rural retirees will be required to pay more toward their health insurance premium until HB 2349 becomes law and the “new” Rural Subsidy can be applied to each affected retiree. Retirees will experience increased costs during July, August and September, 2003, when the new Rural Subsidy is not applied.

What will happen on October 1, 2003?

Your October 1, 2003 pension check will include the new Rural Subsidy for October and will reflect the retroactive payment of the Rural Subsidy for July, August and September. The collection of the Rural Subsidy and the “out-of-pocket” required payments will be forwarded directly to the insurance company or your participating employer in order to pay health insurance premiums that, in some cases, had not been collected previously. Employers or insurance companies will then reimburse individual retirees any overpayments which may have occurred during the months of July, August and September of 2003.

What are the required “out-of-pocket” payments?

In order to receive the new Rural Subsidy, retirees are required to make contributions toward the cost of their medical insurance plan. Those payments are:

	<u>Without Medicare</u>	<u>With Medicare</u>
Retiree Only	\$125 per month	\$100 per month
Retiree + Dependents	\$425 per month	\$200 per month
Combination Plans	\$400 per month	\$400 per month

What will be my monthly health insurance expense?

Each retiree’s circumstances are different. The ASRS offers retiree health insurance plans, as does the Arizona Department of Administration and more than 200 participating employers who allow retirees to remain on their active employee coverage. Premium benefits for the basic and rural programs also vary, depending on a retiree’s years of service. They also vary among the four state retirement systems and plans. Premiums also differ depending on the plan in which the retiree is enrolled and whether single or family coverage is elected. A worksheet at the end of this notification is designed to assist you in determining the financial impact of HB 2349 for your specific situation.

What if the amount of my health insurance premium is more than my pension check?

If you normally have your health insurance premium deducted from your pension check but the increased cost of your health insurance premium exceeds the amount of your pension check, you will receive your pension check without the health insurance premiums (HI PREM) being deducted. You will be billed for the difference between the Basic Health Insurance Premium Benefit Supplement and your health insurance premium either by the insurance company, your participating employer or the ADOA, depending on who administers the billing for your insurance plan. It will be your responsibility to ensure that your monthly premiums are current. It is expected that for many of the retirees affected, this situation will resolve itself by October 1, 2003 when

HB 2349 is implemented and the new Rural Subsidy is applied to retirees' pension checks.

What if the amount of my health insurance premium is less than my pension check?

If you normally have your health insurance premium deducted from your pension check and the increased cost of your health insurance premium does not exceed the amount of your pension check, your pension check will be reduced by your net health insurance premium. The net health insurance premium represents the difference between the Basic Health Insurance Premium Benefit Supplement and your health insurance premium.

The pension check you receive on October 1, 2003, when HB 2349 is implemented, will include the accumulated retroactive Rural Subsidy for July, August and September.

What are the Basic Supplements and Rural Subsidies?

Please see the charts below which highlight, by retirement system and plan, the amounts of the premium benefit supplements and subsidies applicable to non-Medicare eligible and Medicare eligible retirees and their dependents.

HB 2349 has changed the application of the Rural Subsidy for retirees in the Elected Officials' Retirement Plan by prorating the subsidy for retirees with less than eight years of service but with at least five years of service. Retirees eligible for a Rural Subsidy from this retirement plan should take special notice of this change because the prorating will either increase or reduce the amount of Rural Subsidy previously received.

What is a "qualifying event" and how would that affect me?

A qualifying event permits you to make certain mid-year changes to your health care coverage. It allows you to enroll eligible dependents or change your coverage from one group health plan to another at a time other than at open enrollment, provided you notify the ASRS, PSPRS, ADOA or your participating employer if your health insurance remains with them, within 31 days of the event. In the instance of the expiration of the original Rural Subsidy, that event is defined as a "significant change in the group benefit plan's cost." Likewise, when HB 2349 becomes law (in October), that, too, will be a qualifying event.

Some retirees may consider canceling their health insurance coverage because the cost of continuing the coverage would increase to a level deemed to be unacceptably high. Please note, however, that if a retiree cancels their coverage with a participating employer, many employers do not allow retirees to return to that coverage at a later date. If a retiree chooses to cancel coverage, either with the ASRS or a participating employer, the earliest opportunity to enroll in a new health insurance plan would be

during the ASRS open enrollment period, which will be conducted in October 2003, for an effective date of coverage of January 1, 2004.

Please consider your choices carefully if you contemplate canceling your health insurance coverage.

My health insurance is provided by my employer. How will HB 2349 affect me?

You are encouraged to contact your former employer to learn how they will implement this new legislation. Please remember that the ASRS will continue to provide the Basic Health Insurance Premium Benefit Supplement to your employer for the coverage in which you have enrolled. In October, your employer will receive the accumulated retroactive HB 2349 Rural Subsidy for July, August and September.

What if I have more questions or need additional assistance?

If you have questions related to qualification for the rural subsidy or other questions related to your coverage, please contact the ASRS, PSPRS, ADOA or your participating employer directly.

ASRS Member Services 1-800-621-3778

PSPRS Benefits Office 1-602-255-5575

ADOA Benefits Office 1-602-542-5008 or

1-800-304-3687

You may also visit the following web site addresses for additional information and assistance.

ASRS www.asrs.state.az.us

PSPR www.psprs.com

The Arizona Department of Administration (ADOA) Benefits Department and the Public Safety Personnel Retirement System Benefits Office have provided separate correspondence to “their” retirees. Please refer to their informational communications for additional assistance and clarification.

Basic Premium Benefit Supplement Amounts

The Arizona State Retirement System, Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan will provide payment toward insurance premiums for eligible members and their dependents. The following charts reflect maximum monthly premium benefit supplements available for eligible members and their dependents.

No premium benefit supplement is provided for retirees in the University Optional Retirement Plans.

		Without Medicare		With Medicare A & B		Combinations	
Years of Service	Percent	Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependent One with Medicare the other without	Retiree & Dependent with Medicare other dependent without
Arizona State Retirement System (ASRS) Members							
5.0 -5.9	50%	\$75.00	\$130.00	\$50.00	\$85.00	\$107.50	\$107.50
6.0 -6.9	60%	\$90.00	\$156.00	\$60.00	\$102.00	\$129.00	\$129.00
7.0 – 7.9	70%	\$105.00	\$182.00	\$70.00	\$119.00	\$150.50	\$150.50
8.0 -8.9	80%	\$120.00	\$208.00	\$80.00	\$136.00	\$172.00	\$172.00
9.0 -9.9	90%	\$135.00	\$234.00	\$90.00	\$153.00	\$193.50	\$193.50
10+	100%	\$150.00	\$260.00	\$100.00	\$170.00	\$215.00	\$215.00
Elected Officials’ Retirement Plan (EORP) Members							
5.0 – 5.9	60%	\$90.00	\$156.00	\$60.00	\$102.00	\$129.00	\$129.00
6.0 – 6.9	75%	\$112.50	\$195.00	\$75.00	\$127.50	\$161.25	\$161.25
7.0 – 7.9	90%	\$135.00	\$234.00	\$90.00	\$153.00	\$193.50	\$193.50
8+	100%	\$150.00	\$260.00	\$100.00	\$170.00	\$215.00	\$215.00
Corrections Officer Retirement Plan (CORP) Members							
Not applicable		\$150.00	\$260.00	\$100.00	\$170.00	\$215.00	\$215.00
Public Safety Personnel Retirement System (PSPRS) Members							
Not applicable		\$150.00	\$260.00	\$100.00	\$170.00	\$215.00	\$215.00

Rural Health Insurance Subsidy Amounts

Upon enactment, HB 2349 allows for the following premium benefit subsidies to be paid retroactively to July 1, 2003. These premium benefit subsidies will expire on June 30, 2005.

Monthly Premium Benefit Subsidy, effective July 1, 2003 through June 30, 2005		Without Medicare		With Medicare A & B		Combinations	
Years of Service	Percent	Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependent One with Medicare the other without	Retiree & Dependent with Medicare other dependent without
Arizona State Retirement System (ASRS) Members							
5.0 -5.9	50%	\$150.00	\$300.00	\$ 85.00	\$175.00	\$235.00	\$235.00
6.0 -6.9	60%	\$180.00	\$360.00	\$102.00	\$210.00	\$282.00	\$282.00
7.0 – 7.9	70%	\$210.00	\$420.00	\$119.00	\$245.00	\$329.00	\$329.00
8.0 -8.9	80%	\$240.00	\$480.00	\$136.00	\$280.00	\$376.00	\$376.00
9.0 -9.9	90%	\$270.00	\$540.00	\$153.00	\$315.00	\$423.00	\$423.00
10+	100%	\$300.00	\$600.00	\$170.00	\$350.00	\$470.00	\$470.00
Elected Officials’ Retirement Plan (EORP) Members							
5.0 – 5.9	60%	\$180.00	\$360.00	\$102.00	\$210.00	\$282.00	\$282.00
6.0 – 6.9	75%	\$225.00	\$450.00	\$127.50	\$262.50	\$352.50	\$352.50
7.0 – 7.9	90%	\$270.00	\$540.00	\$153.00	\$315.00	\$423.00	\$423.00
8+	100%	\$300.00	\$600.00	\$170.00	\$350.00	\$470.00	\$470.00
Corrections Officer Retirement Plan (CORP) Members							
Not applicable		\$300.00	\$600.00	\$170.00	\$350.00	\$470.00	\$470.00
Public Safety Personnel Retirement System (PSPRS) Members							
Not applicable		\$300.00	\$600.00	\$170.00	\$350.00	\$470.00	\$470.00

Insurance Cost Calculation Worksheet

How HB 2349 (new Rural Health Insurance Subsidy) affects me*

Your monthly medical insurance premium			A
Your monthly dental insurance premium	+		B
Total Premium (A plus B)			C
Your Basic Premium Benefit Supplement (See Supplement chart)	—		D
Your Net Premium (C minus D)			E
Required Minimum HB2349 payment (See Required Out-of-Pocket Payment chart)	—		F
Net Premium before Rural Subsidy (E minus F)			G
Rural Health Insurance Subsidy (See Subsidy chart)	—		H
Your remaining out-of-pocket costs (If H is greater than G, I will equal \$0.00)			I

* For some retirees, the total amount of premium owed will be a combination of boxes F and I; for others, only box F.

NOTE – If your health insurance is provided by the ADOA or a participating employer and you are required to make payments to them, you may wish to contact them to determine what you owe and the timing of your insurance premium payments.